

Message Text

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ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 EB-08 /019 W
-----020824 231854Z /47
R 231825Z AUG 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 4423

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E.O. 11652: N/A
TAGS: BENC, MX
SUBJECT: MAJOR PROJECTS: MEXICO CITY METRO EXPANSION:
GROUNDBREAKING SET FOR AUGUST 27, 1977

REF: (A) STATE 19638, (B) STATE 177118, (C) MEXICO 11915

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1. ON AUGUST 19, 1977, THE MEXICO CITY FEDERAL DISTRICT GOVERNMENT ANNOUNCED THAT PRESIDENT LOPEZ PORTILLO HAD APPROVED THE EXPANSION OF THE CAPITAL'S METRO SYSTEM (SEE REFTEL C) AND THAT GROUND BREAKING ON THE FIRST EXTENSION (TLATELOLCO TO THE NORTH BUS TERMINAL) WOULD TAKE PLACE AUGUST 27, 1977. ANNOUNCED PLANS CALL FOR THE CONSTRUCTION OF FROM 37 TO 40 KILOMETERS OF NEW LINE (WHICH WOULD DOUBLE THE EXISTING SYSTEM) OVER THE NEXT THREE YEARS. THE COST THEREOF IS ESTIMATED AT APPROXIMATELY \$1 BILLION (\$150 MILLION, THE FIRST YEAR; \$300 MILLION, THE SECOND; AND \$550 MILLION, THE THIRD).

2. INGENIEROS CIVILES ASOCIADOS (ICA), THE LARGE MEXICAN CONSTRUCTION FIRM WHICH WAS THE MAJOR CONTRACTOR FOR THE PRESENT METRO SYSTEM, WILL EXECUTE THE PROJECT. REPORTEDLY, ICA WILL UTILIZE THE SAME FRENCH TECHNOLOGY (SOCIETE GENERALE DE TRACTION ET D'EXPLOTATION - SGTE AND SOCIETE FRANCAISE D'ETUDES DE REALIZATIONS DE TRANSPORTS URBAINS-
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SOFRETU -- BOTH ASSOCIATED WITH THE PARIS METRO) IN COMPLETION OF THE EXPANSION PROJECT. WE HAVE NO INFORMATION AT THIS TIME AS TO WHETHER ICA WILL REQUIRE TECHNICAL ASSISTANCE FROM THESE TWO FRENCH FIRMS OR WHETHER AS A RESULT OF THE EXPERIENCE GAINED IN THE CONSTRUCTION OF THE ORIGINAL SUBWAY SYSTEM, ICA HAS DEVELOPED ITS OWN TECHNICAL EXPERTISE.

3. CONSTRUCTORA NACIONAL DE CARROS DE FERROCARRIL, PART OF THE CIUDAD SAHAGUN INDUSTRIAL COMPLEX, WILL BUILD AN ADDITIONAL 400 METRO CARS FOR THE EXPANDED SYSTEM, USING PARTS AND TECHNICAL ASSISTANCE FROM THE PARIS-HEADQUARTERED FIRM OF ALSTOM. 40 CARS WILL BE BUILT IN FRANCE, PRESUMABLY BY ALSTOM. COMMENT: NO EXPLANATION HAS BEEN GIVEN TO DATE FOR THE FRENCH PROVISION OF THESE CARS. IT MAY BE THAT AS THE RESULT OF THE RECENT VISIT OF A HIGH FRENCH OFFICIAL, AGREEMENT WAS REACHED ON THE FINANCING OF THE PARTS FOR THE 400 CARS TO BE ASSEMBLED IN MEXICO, AND PURCHASE OF 40 CARS FROM FRANCE WAS PART OF THE FINANCIAL PACKAGE.

4. FULL PARTICULARS ON THE EXPANSION PROJECT, INCLUDING, HOPEFULLY, THE SOURCE OF FINANCING, REPORTEDLY, WILL BE ANNOUNCED BY PRESIDENT LOPEZ PORTILLO AT THE GROUND BREAKING CEREMONY. EMBASSY HAS ATTEMPTED TO OBTAIN MORE INFORMATION THEREON FROM THE METRO OFFICE AND ICA. BOTH STATED ADDITIONAL INFORMATION WOULD ONLY BE AVAILABLE FOLLOWING THE AUGUST 27 CEREMONY. HOWEVER, A SOURCE AT THE SISTEMA DE TRANSPORTE COLECTIVO (THE AGENCY WHICH OPERATES THE METRO) DID STATE THAT 90 PER CENT OF THE PROJECT WOULD INVOLVE MEXICAN COMPANIES AND MANUFACTURES. THE REMAINDER WOULD BE SECURED FROM ABROAD ON A BID BASIS.

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5. RE REFTTEL B, THE METRO EXPANSION PROJECT IS SEPARATE AND DISTINCT FROM GOM-PROPOSED PLANS FOR A SUBURBAN RAIL SYSTEM (SUBJECT OF SEPTTEL) FOR THE CAPITAL AND ITS OUTLYING AREAS. IN THIS REGARD, FEDERAL DISTRICT GOVERNMENT, WHICH WILL OVERSEE METRO EXPANSION, IS RESPONSIBLE FOR ITS OWN URBAN POLICY AND PROJECTS. HOWEVER, FEDERAL GOVERNMENT (PRESIDENCY AND HACIENDA) EXERCISE FINAL CONTROL THEREON AS THEIR APPROVAL OF THE FEDERAL DISTRICT'S CURRENT AND CAPITAL BUDGETS IS REQUIRED. ON THE OTHER HAND, PLANS FOR THE SUBURBAN RAIL PROJECT, WHICH INVOLVES THE STATE OF MEXICO AS WELL AS THE FEDERAL DISTRICT, ARE THE RESPONSIBILITY OF THE SECRETARIA DE COMUNICACIONES Y TRANSPORTES AND FERROCARRILES NACIONALES DE MEXICO. THE LATTER IS CARRYING OUT TECHNICAL STUDIES ON THE PROJECT. THE GO-AHEAD ON THIS PROJECT, OF COURSE, WILL ALSO REQUIRE THE AUTHORIZATION OF THE PRESIDENCY AND HACIENDA.
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6. THE ANNOUNCEMENT TO BEGIN WORK ON THE EXPANSION OF THE METRO WAS SOMEWHAT UNEXPECTED, GIVEN MEXICO'S CURRENT ECONOMIC AND FINANCIAL DIFFICULTIES, AND, NO DOUBT, THE

PSYCHOLOGICAL IMPACT THEREOF WAS AN IMPORTANT CONSIDERATION IN THE GOM DECISION TO DO SO. WHILE THE ANNOUNCED, THREE YEAR PROJECT IS GRANDIOSE, THE INITIAL, AUTHORIZED CONSTRUCTION PROJECT INVOLVES ONLY ABOUT 4 KILOMETERS AND THREE NEW STATIONS. MOREOVER, THE FIRST YEAR'S EXPENDITURES ARE MODEST, AND IT IS THOUGHT THE GOM SHOULD BE ABLE TO COVER THESE FROM ITS CAPITAL BUDGET WITHOUT TOO MUCH DIFFICULTY. THE HIGHER EXPENDITURES FOR THE REMAINING TWO YEARS ARE BELIEVED TO BE PREDICATED ON AN IMPROVED

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ACTION COME-00

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ECONOMIC PICTURE. HOW THE GOM HOPES TO MANAGE THE FINANCING OF THE TOTAL PROJECT WITHIN THE ANNOUNCED TIME PERIOD WILL HAVE TO AWAIT THE PRESIDENT'S PRONOUNCEMENT ON AUGUST 27.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MEXICO14047
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770304-0643
Format: TEL
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770834/aaaabbyv.tel
Line Count: 152
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b6f86856-c288-dd11-92da-001cc4696bcc
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 19638, 77 STATE 177118, 77 MEXICO 11915
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1517856
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECTS: MEXICO CITY METRO EXPANSION: GROUNDBREAKING SET FOR AUGUST 27, 1977
TAGS: BENC, MX
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b6f86856-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009